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International Economic Scoreboard™

INSIDE:

- **U.S. Leading Index Shows Steady Gains**
- **Japan Early Movers Continue to Wilt**
- **West German Signs Go Limp**
- **Inflation Threat Subdued**

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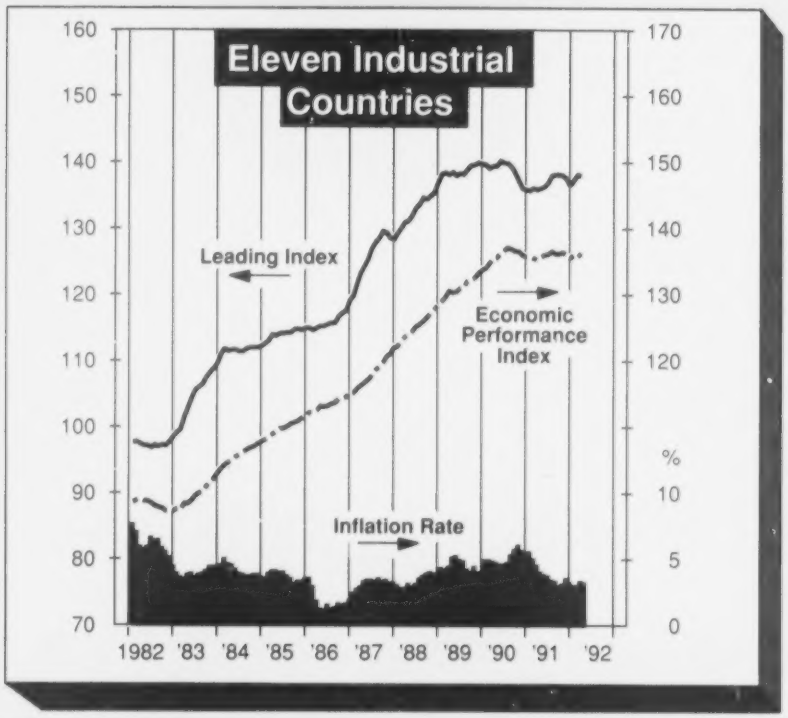
World Business Cycle



Summary of Growth Rates, Eleven Industrial Countries

	Ten-year Growth Rate 1976-86	Indexes of Economic Performance Growth Rates *			Leading Business Cycle Indexes Growth Rates *			Current Reading on the Cycle	Latest Month Covered
		6 mos. ago	3 mos. ago	Latest month	6 mos. ago	3 mos. ago	Latest month		
Eleven countries	3	0	-1	0	2	0	1	Recovery stalled, leaders weak	Mar.
Ten countries (U.S. excl.)	3	2	0	0	-1	-4	-2	Expansion stalled, leaders weak	Mar.
North America (2)	3	-2	-2	0	6	5	5	Recovery underway	Mar.
Europe (4)	2	0	-1	0	1	-1	0	Expansion stalled, leaders weak	Mar.
Pacific Region (5)	4	3	1	-1	-4	-8	-6	Expansion stalled, leaders weak	Mar.
United States	3	-1	-1	0	7	6	5	Recovery underway	Apr.
Canada	3	-1	-1	-1	0	-4	0	Recovery stalled, leaders weak	Mar.
West Germany	2	1	-2	0	1	-3	-4	Expansion stopped, leaders weak	Mar.
France	2	3	2	1	3	1	3	Expansion slowing	Mar./Apr.
United Kingdom	2	-4	-4	-2	-1	-1	0	Recession continuing, leaders weak	Mar.
Italy	2	2	2	-1	2	0	1	Expansion stopped, leaders weak	Jan.
Japan	4	4	1	-1	-6	-11	-8	Expansion stalled, leaders weak	Mar.
Korea, R.O.K.	7	6	9	4	14	6	-4	Expansion slowing, leaders weak	Apr.
Australia	3	-4	1	1	1	3	5	Recession ending, leaders improving	Apr.
New Zealand	2	-2	-1	0	3	5	7	Recession ending, leaders improving	Dec./Mar.
Taiwan, R.O.C.	8	6	4	5	8	6	7	Expansion continuing	Mar.

* Ratio of current month's index over the preceding 12 month average, expressed as a compound annual rate.

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Overview

Going Their Separate Ways

The direction of our 11-nation performance and leading indexes shows the global business cycle expanding at a very slow pace. But a look within the aggregates reveals very little in the way of a common pattern among the 11 industrial countries. In particular, the leading indexes of the Big Three countries are going their separate ways rather decisively. The United States' leaders are moving encouragingly higher, while the West German leading index has turned down for the first time in recent years, and the Japanese leaders continue to show pronounced weakness.

Elsewhere the pattern is equally disparate. Taiwan continues to show vigorous growth. The leading indexes for Australia and New Zealand show further signs of a recovery getting underway. The French indexes are still, by a narrow margin, on the positive side of the ledger. Italy and Canada appear rather sluggish. The Korean leading index weakened significantly in March and April. Overall, therefore, the "global" pattern is a highly mixed picture.

Inflation is holding steady at a moderate pace in almost all countries. The rates range from 1.1 percent in New Zealand to 6.9 percent in Korea—an unusually narrow spread—for an average of 3.3 percent. Over the past 6 months, inflation has been steady or slowing everywhere but in Taiwan.

Summary of Inflation Rates, Eleven Industrial Countries

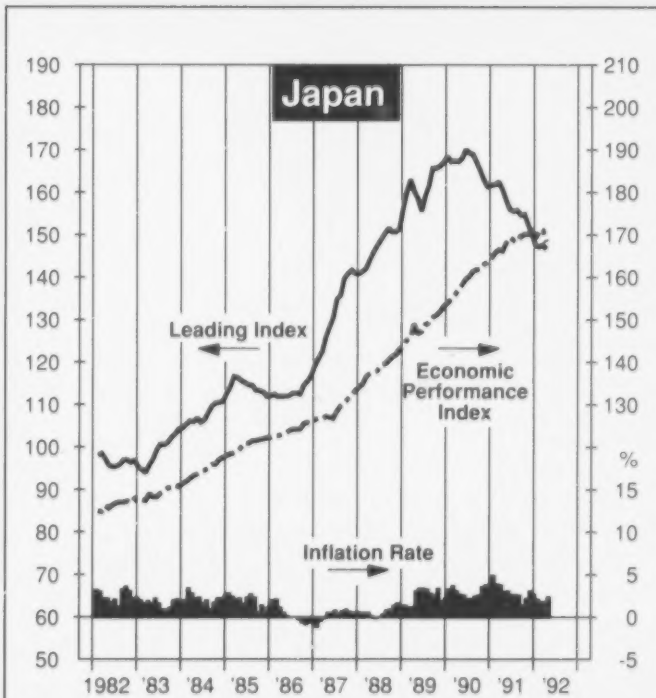
	Ten-year Inflation Rate 1979-89	*6 mos.* ago*	*3 mos.* ago*	*Latest* month*	*Current Reading on Inflation*	*Latest Month Covered*
		annual rates, percent				
Eleven countries	5.3	3.2	3.1	3.3	Steady	Apr.
Ten countries (U.S. excl.)	5.2	3.4	3.3	3.3	Steady	Apr.
North America (2)	5.6	2.9	2.6	3.1	Steady	Apr.
Europe (4)	6.6	4.1	4.2	4.0	Steady	Apr.
Pacific Region (5)	3.4	2.6	2.5	2.7	Steady	Apr.
United States	5.5	3.2	2.9	3.1	Steady	May
Canada	6.5	2.4	1.5	1.6	Low and Falling	Apr.
West Germany	2.9	4.8	4.1	3.6	Falling	May
France	7.3	3.0	3.2	3.0	Steady	Apr.
United Kingdom	7.3	3.7	4.0	4.0	Steady	Apr.
Italy	11.2	5.6	6.1	5.1	Falling	Apr.
Japan	2.5	2.3	2.2	2.5	Steady	Apr.
Korea, R.O.K.	8.1	8.8	7.5	6.9	Falling	Apr.
Australia	8.4	1.8	2.0	1.9	Low and Steady	Feb.
New Zealand	11.8	1.4	0.2	1.1	Low but Volatile	Feb.
Taiwan, R.O.C.	4.4	0.7	5.0	5.2	Rising	Mar.

* Ratio of current month's index over the preceding 12 month average, expressed as a compound annual rate.

Countries

Solid Gains For Leaders

The U.S. leading index continues to record steady progress—gains that are less than spectacular, but quite respectable. These gains in the leaders, however, have yet to be translated into anything more than halting progress in the economic performance index. A clear example is the continued rise in unemployment and the hesitant increase in payroll employment (both components of the performance index) in recent months, despite a very strong and extended climb in the manufacturing workweek, which in the past has been a reliable advance indicator of improvement in the major labor market series. Further solid gains in employment are suggested for the months ahead, but on the basis of past business cycles we might have expected to see more gains by now.

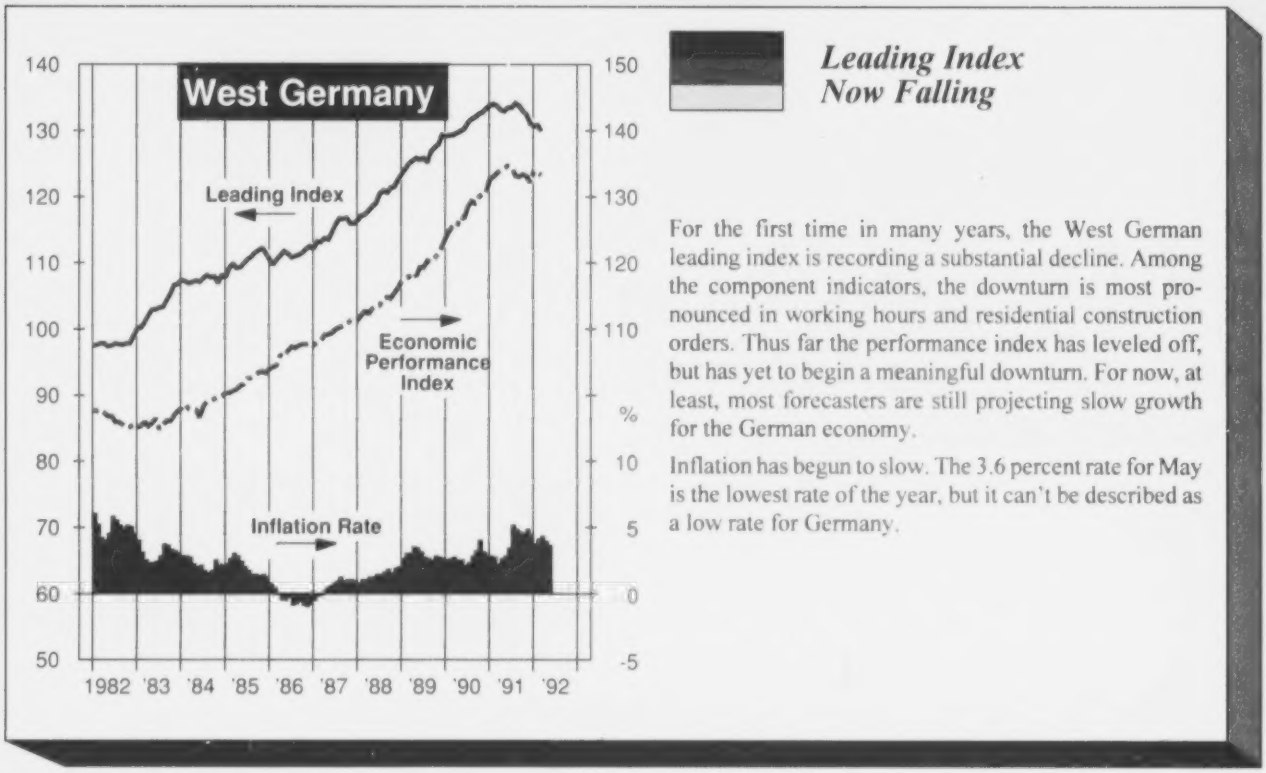


Japanese Sentiment in a Blue Funk

The early moving indicators for the Japanese economy continue to look soggy, especially overtime hours in manufacturing, common stock prices, and profit margins. In addition, with industrial production and retail sales dropping sharply, the performance index fell 3 points in March and now shows a negative rate of change for the first time in many years.

The Japanese Economic Planning Agency reports that a "diffusion index" of leading indicators showed 59 percent of the component series declining—above the even-keel 50 percent mark for 19 consecutive months—and that a diffusion index of coincident (performance) indicators showed 78 percent of the components declining—above the 50 percent mark for 13 straight months now. Accordingly, the cyclical weakness in Japan is quite widespread.

The stock market hit a new (5½ year) low in June. Along with the market, economic confidence has posted a sharp decline, not only in the financial markets but among other business executives as well. This suggests that further weakness in capital spending lies ahead.



Leading Index Now Falling

For the first time in many years, the West German leading index is recording a substantial decline. Among the component indicators, the downturn is most pronounced in working hours and residential construction orders. Thus far the performance index has leveled off, but has yet to begin a meaningful downturn. For now, at least, most forecasters are still projecting slow growth for the German economy.

Inflation has begun to slow. The 3.6 percent rate for May is the lowest rate of the year, but it can't be described as a low rate for Germany.

THE INTERNATIONAL ECONOMIC INDICATOR SYSTEM

This publication is designed to help readers monitor the ups and downs of the business cycle around the world. To this end, three statistical series are shown for each country. One is the inflation rate, calculated from the consumer price index compiled by the official statistical agency. The other two are cyclical indexes—an index of economic performance and a leading index. All of the cyclical indexes are based on 1980=100. The economic performance indexes are composites of such series as real GNP, industrial production, employment and sales—what analysts call "coincident" series, because they define the business cycle.

The leading indexes are composites of such series as new orders, construction contracts, corporate profits and stock prices—indicators that usually anticipate changes in production and employment by several months. Thus the indexes of economic performance tell us the current status of the business cycle, i.e., where we are, while the leading indexes tell us where the economy is headed.

Experience has shown that when the leading index begins to rise faster, it is a fairly safe rule that the economy will soon begin to rise faster too — typically after three or four months. When the leading index begins to rise more slowly or to decline, the economy is likely to follow suit shortly thereafter. (For details, see Phillip A. Klein and Geoffrey H. Moore, *Monitoring Growth Cycles in Market-Oriented Countries,* Ballinger Publishing Co. 1985.) Considerable variation in the length of the lead is to be expected, however. Constant monitoring is needed to make effective use of the system and to get early warnings of recessions and recoveries, changes in foreign trade flows, and new inflationary trends.

The indexes were developed by Geoffrey H. Moore and Phillip A. Klein, and are maintained by the Center for International Business Cycle Research at the Columbia Business School. (The U.S. indexes used here differ slightly from the indexes reported monthly by the U.S. Department of Commerce.) To facilitate analysis the indexes are adjusted so their long-run growth rates are equal to those in real GNP in the country concerned. Growth rates are shown in the first column of the table on page 2.

For more information:

For more about this indicator system and the availability of detailed data for each country please address inquiries to: Center for International Business Cycle Research, Columbia Business School, New York, NY 10027 - Telephone: 212-280-2916.

INDEXES, WORLDWIDE AND BY REGION, 1990-92

		11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
		Indexes, 1980=100									
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Oct.	90	137	138	144	138	126	135	133	125	164	162
Nov.	90	136	136	144	138	125	133	133	125	164	162
Dec.	90	136	136	145	138	124	133	133	125	165	162
Jan.	91	136	136	145	138	123	132	134	125	166	162
Feb.	91	136	136	145	138	122	132	134	125	167	162
Mar.	91	136	136	146	138	122	132	134	126	167	161
Apr.	91	136	136	146	137	122	133	134	126	168	159
May	91	136	137	146	137	122	135	134	126	169	158
June	91	136	137	147	137	122	136	135	127	169	157
July	91	137	138	147	138	122	138	135	127	170	158
Aug.	91	137	138	147	137	122	138	134	127	170	157
Sept.	91	137	138	147	137	122	139	134	127	170	157
Oct.	91	137	138	147	136	122	140	135	128	170	156
Nov.	91	136	138	147	135	122	140	134	128	170	154
Dec.	91	136	137	146	134	121	139	134	125	169	151
Jan.	92	136	138	147	134	121	140	134	126	171	152
Feb.	92	137	138	147	135	122	141	135	126	171	152
Mar.	92	136	138	146	135	122	142	134	127	169	151

	11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
	Growth Rates, Percent									
	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
	2	-3	4	-2	-2	-4	4	1	5	-5
	1	-4	3	-3	-4	-6	4	0	4	-6
	0	-4	3	-3	-5	-6	3	0	4	-5
	0	-4	4	-2	-6	-6	4	0	5	-4
	-1	-3	3	-2	-7	-5	2	0	5	-3
	-1	-3	2	-2	-7	-5	3	1	4	-4
	0	-2	3	-2	-6	-3	2	1	5	-6
	0	-2	3	-2	-5	-1	2	1	5	-7
	0	0	2	-2	-4	2	2	2	4	-6
	0	1	3	-1	-3	4	2	2	4	-5
	0	2	2	-1	-2	5	1	2	4	-5
	0	2	2	-1	-2	6	0	1	3	-4
	1	2	2	-2	-1	7	1	1	3	-5
	0	1	1	-3	-2	6	0	0	2	-6
	-1	0	0	-4	-2	5	-1	-1	1	-8
	0	0	1	-4	-1	6	0	-1	3	-7
	0	1	1	-2	0	6	0	0	2	-6
	0	1	0	-2	0	5	0	0	-1	-6
	Ten Year Annual Growth Rate, Percent									
	3	3	3	3	3	3	2	2	4	4

INDEXES, ELEVEN COUNTRIES, 1990-92

		United States		Canada		West Germany		France		United Kingdom		Italy		Japan		Korea, R.O.K.		Australia		New Zealand		Taiwan, R.O.C.	
		Indexes, 1980=100																					
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Jan.	91	122	134	128	113	133	134	150	130	126	114	122	114	166	162	248	236	142	122	113	113	196	239
Feb.	91	122	134	128	112	133	134	150	130	125	114	121	115	166	162	249	229	140	122	112	112	200	240
Mar.	91	121	134	128	112	134	134	150	132	125	115	122	115	166	161	250	232	138	122	112	112	199	243
Apr.	91	121	135	128	113	134	133	151	133	124	115	121	116	168	158	256	236	135	122	112	112	199	246
May	91	121	136	129	115	134	133	151	133	123	116	122	116	169	156	254	238	136	123	112	112	201	249
June	91	122	138	129	115	135	134	152	135	124	115	122	116	169	156	252	231	136	123	112	112	202	252
July	91	122	140	129	116	135	134	153	136	123	116	122	116	170	156	254	241	134	124	112	113	202	249
Aug.	91	122	140	129	116	133	134	153	136	123	115	122	115	170	155	257	243	137	124	111	114	203	251
Sept.	91	122	141	129	115	133	134	153	135	122	115	122	115	170	155	256	242	134	123	112	115	204	252
Oct.	91	121	142	129	114	134	133	154	135	122	115	123	115	170	152	258	252	135	124	113	116	205	254
Nov.	91	121	142	129	113	133	133	154	134	122	115	123	115	170	150	257	246	133	123	113	116	204	255
Dec.	91	120	142	128	111	132	131	154	133	121	115	121	115	169	148	259	239	134	123	112	116	205	255
Jan.	92	120	143	128	112	134	131	154	134	121	116	121	116	171	147	266	246	137	125		118	210	260
Feb.	92	121	144	128	113	134	131	154	135	122	117			171	148	266	238	135	125		117	208	260
Mar.	92	121	144	128	114	133	130	153	137	121	116			168	147	265	235	135	126		119	209	262
Apr.	92	121	144						137							264	235	136	127				
		Growth Rates, Percent																					
Jan.	91	-6	-6	-7	-8	8	4	5	-1	-3	-4	3	-3	7	-5	10	7	-7	-4	-1	-4	3	2
Feb.	91	-7	-5	-7	-10	7	4	3	0	-4	-4	2	-2	6	-4	9	0	-8	-2	-1	-4	6	3
Mar.	91	-7	-5	-7	-8	6	3	3	2	-4	-2	3	-1	5	-5	8	2	-10	-3	-1	-4	4	6
Apr.	91	-6	-3	-5	-5	6	2	3	3	-5	-2	0	1	6	-7	12	6	-12	-2	-1	-3	5	8
May	91	-5	0	-3	-2	6	1	2	3	-5	-1	2	1	7	-9	9	6	-10	0	-1	-3	6	10
June	91	-4	2	-3	-1	5	1	3	5	-4	-1	2	1	5	-8	6	0	-8	0	-2	-2	6	12
July	91	-3	5	-2	0	4	1	4	6	-4	1	2	2	6	-7	7	8	-9	1	-2	0	5	8
Aug	91	-3	6	-2	1	1	2	4	6	-4	0	2	0	4	-7	8	8	-4	2	-2	1	5	9
Sept.	91	-2	6	-1	0	1	1	3	4	-4	-1	0	0	4	-6	6	7	-6	1	-1	3	6	8
Oct.	91	-1	7	0	-2	1	-1	4	3	-4	0	2	0	3	-7	6	14	-4	1	1	5	6	8
Nov.	91	-2	7	0	-3	0	-1	3	1	-3	0	2	0	3	-9	4	7	-5	0	1	6	4	8
Dec.	91	-2	5	-1	-4	-2	-3	2	0	-4	-1	-2	0	1	-11	5	1	-4	1	0	5	4	6
Jan.	92	-1	6	0	-2	0	-4	3	1	-3	1	-1	1	2	-10	9	6	1	3		7	8	8
Feb.	92	0	7	-1	-1	0	-3	2	2	-2	2			2	-8	8	-1	0	3		5	5	7
Mar.	92	0	6	-1	0	0	-4	1	4	-2	0			-1	-8	6	-4	-1	4		7	5	7
Apr.	92	0	5						3							4	-4	1	5				
		Ten Year Annual Growth Rate, Percent																					
1976-86		3	3	3	3	2	2	2	2	2	2	2	2	4	4	7	7	3	3	2	2	8	8